Cboe Options to Expand Drill Through Protections

Reference ID: C2020101401

Overview

Applicable Cboe Exchanges: BZX Options, Cboe Options, C2 Options, EDGX Options

Effective November 9, 2020 for EDGX Options ("EDGX") and **November 10, 2020** for BZX Options ("BZX"), Cboe Options ("C1"), and C2 Options ("C2") Exchanges, *subject to regulatory review*, drill-through protections will be expanded for all single leg orders and for complex orders that do not specify a drill through override. On the effective date, instead of canceling the order after posting it for the preset duration, the drill-through mechanism will repeatedly post the order at a more aggressive price for a configurable number of iterations. Upon conclusion of the final iteration, on BZX, C2, and EDGX, the order will automatically cancel. On C1, upon conclusion of the final iteration, the order will automatically cancel only when *FloorRoutingInst* (FIX Tag 22303) = 'Electronic only'. On C1, any other value for *FloorRoutingInst* will cause the order to route PAR.

Technical Details

The drill-through protection mechanism allows an order to be executed at a price no more than a specified amount (Drill-Through Amount or "DTA") through the opposite-side NBBO at the time of order receipt. The DTA is available in the technical specifications listed below and will remain the same on the effective date. Upon reaching the allowable limit, the order displays for the current preset duration of 2000 milliseconds before canceling.

On the effective date, the drill-through process will iterate for all single leg orders and for complex orders that do not specify a drill through override in the *DrillThruProtection* field (FIX Tag 6253). Additionally, the preset duration will be reduced to 1000 milliseconds. Complex orders that do specify a drill through override will continue to function as they do currently.

After an order posts for the preset duration, the order will move up (buys) or down (sells) by an amount equal to the DTA, but not beyond the order's limit, and execute against any resting liquidity within that price range. After posting at the new price for the preset duration, the order will repeat the process a configurable number of times as determined by the Exchange, with three iterations being the default. At the end of the final iteration, any remaining order quantity will route to PAR, if applicable, or cancel back to the Member. If the order reaches its limit price at any time during the iterative drill-through process, the order will remain at its limit price and the drill-through protection mechanism will not continue.

Adjustments that would lock or invert an away displayed market will initiate a SUM auction. Eligible complex orders may also initiate a COA throughout the iterative process.

Testing Opportunities

This functionality will be available to test in the BZX, C1, C2, and EDGX Options certification environments on October 19, 2020.

Additional Information

For more information, please refer to the following technical specifications:

- ➢ US Options FIX Specification
- ➢ US Options BOE Specification

Please contact the Cboe Trade Desk for support or with any questions.

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